

PUBLIC FINANCE IN ARIZONA

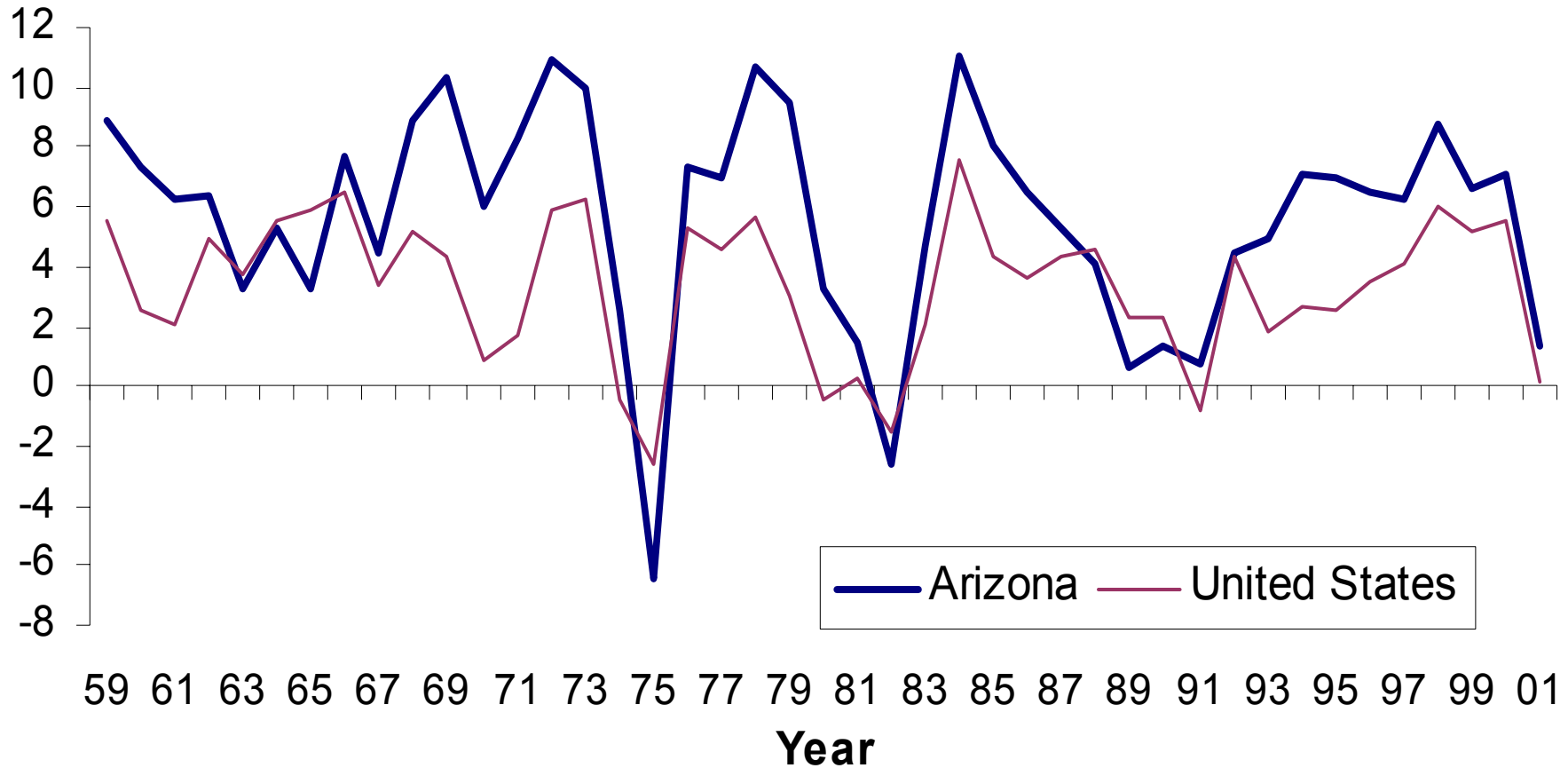
Dennis Hoffman

Arizona State University

February 6, 2003

REAL PERCENT CHANGE IN EARNINGS

Percent



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

COMBINED STATE AND LOCAL GOVERNMENT

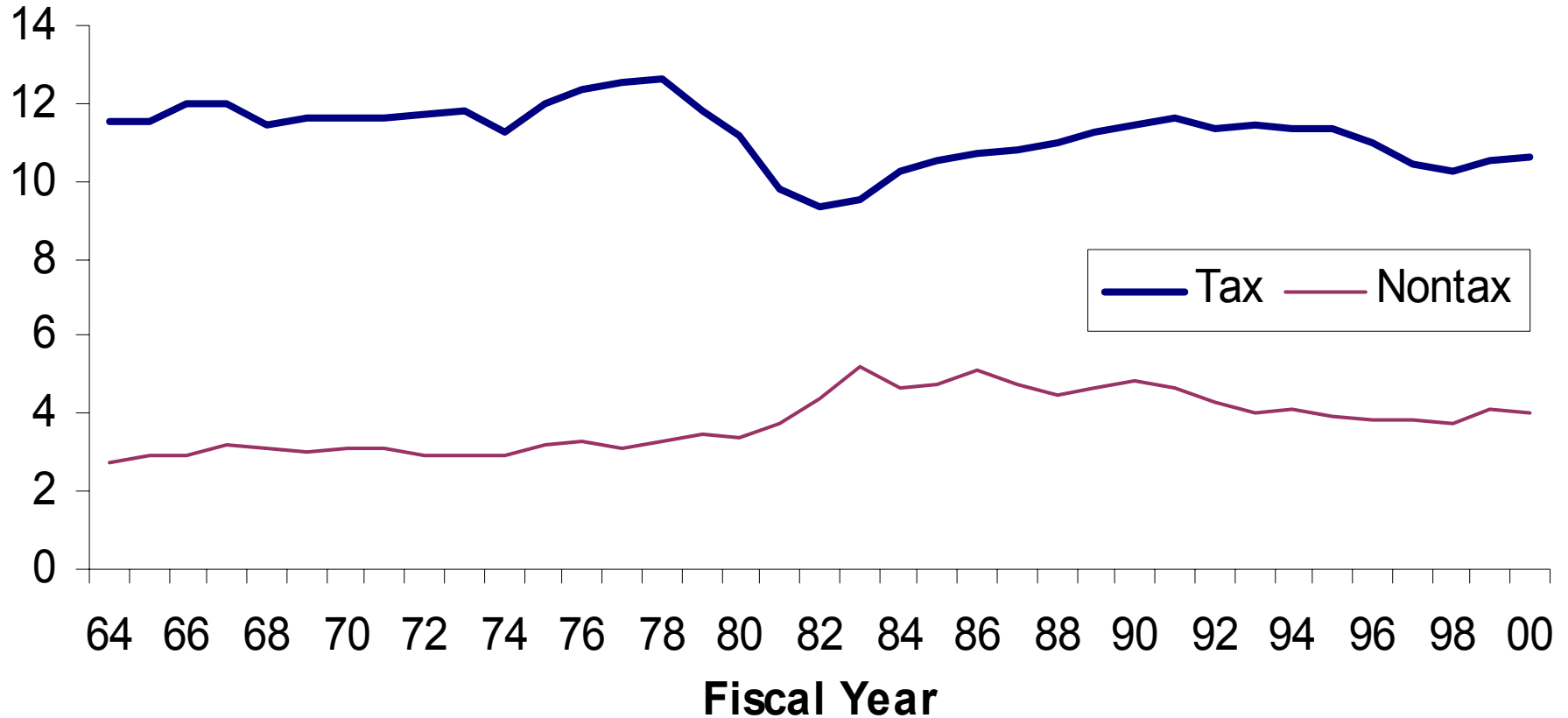
General Fund

Source: U.S. Department of Commerce, Bureau of
the Census, unless otherwise noted.

REVENUES AS A % OF PERSONAL INCOME

Arizona State and Local Governments Combined

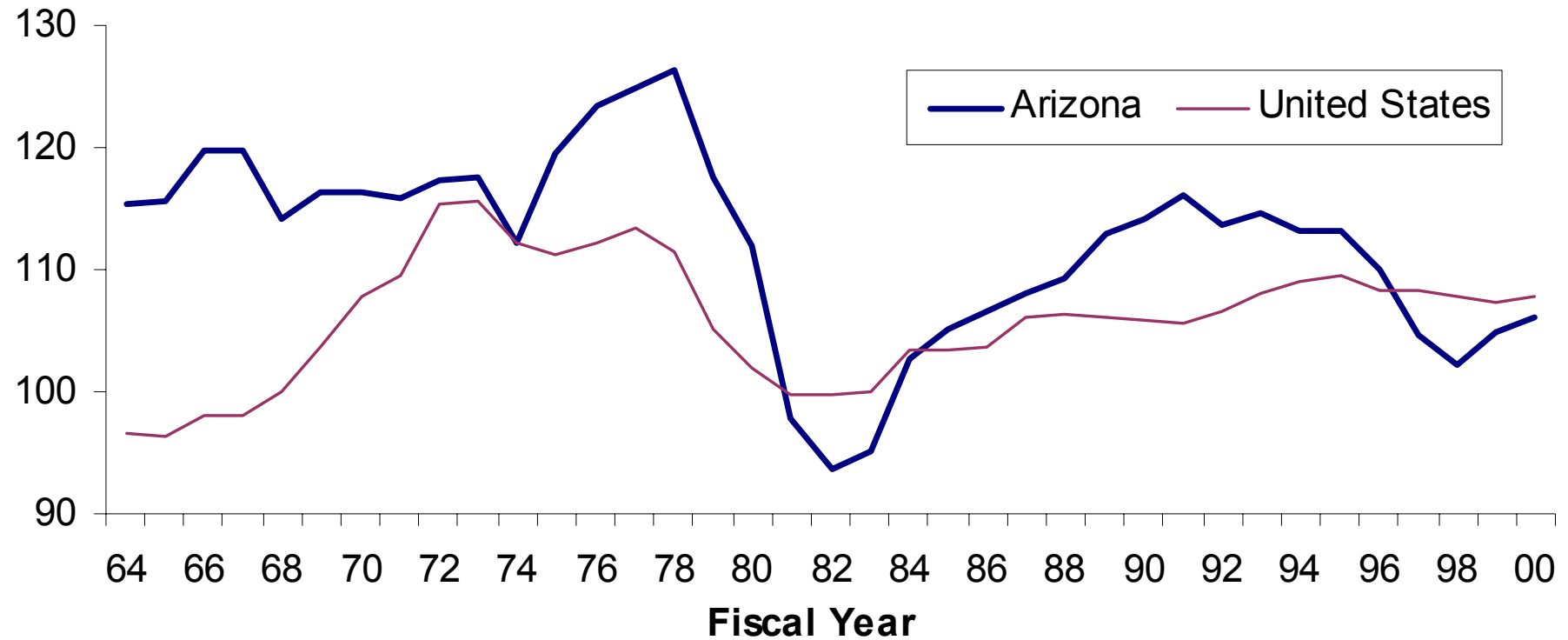
Percent



TAXES PER \$1,000 OF PERSONAL INCOME

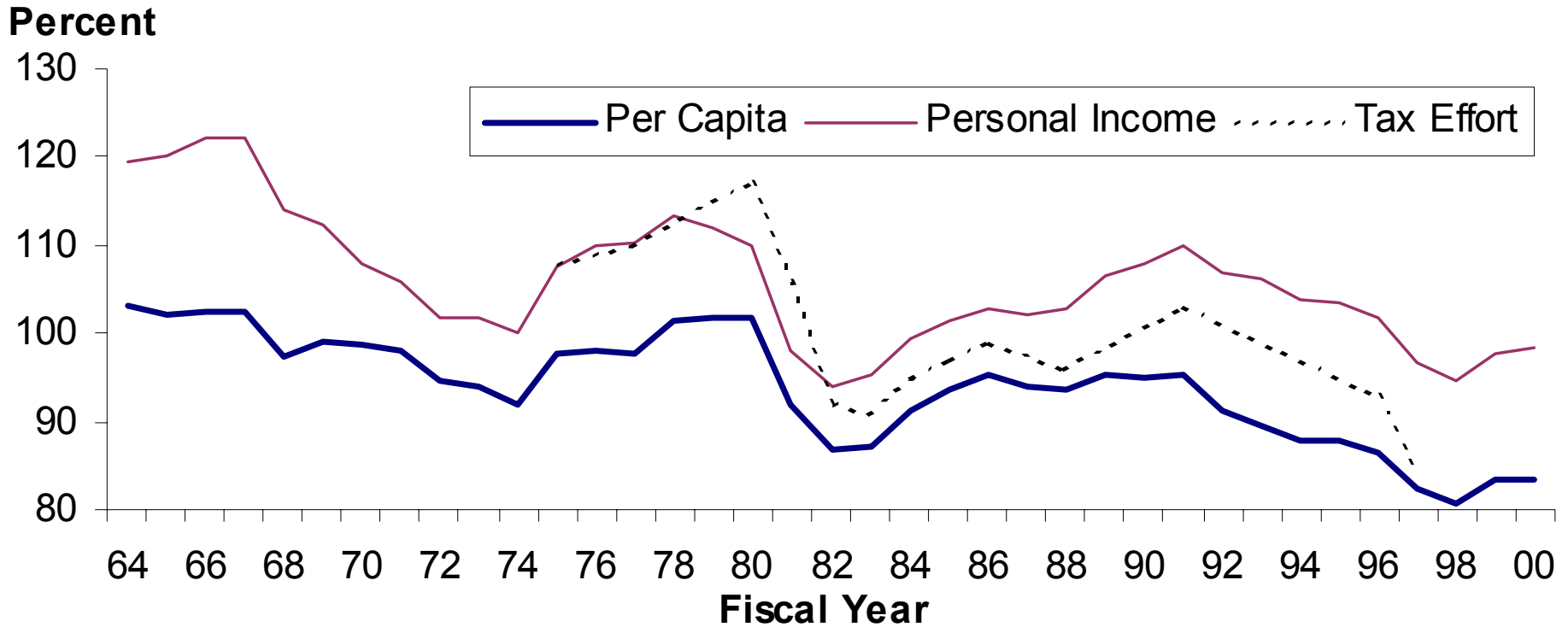
General Fund, Arizona State & Local Governments

Dollars



ARIZONA TAX BURDEN AS A RATIO TO THE NATIONAL AVERAGE

General Fund, Arizona State & Local Governments



COMPARISON OF MEASURES OF TAX BURDEN IN ARIZONA

Measure	Difference from U.S. Average	U.S. Rank*	Western Rank**	Latest Year
Per Capita	-17%	38	8	FY2000
Per \$ of Census Income	-11	43	8	FY2000
Per \$ of Personal Income	-2	29	5	FY2000
Tax Effort	-16	44	8	FY1997
Hypothetical Family of Four with Income of:				
\$25,000	-11	34	5	2001
\$50,000	-11	33	5	2001
\$75,000	-17	37	6	2001
\$100,000	-9	32	6	2001
\$150,000	-5	33	6	2001
Hypothetical Retired Couple	-17	34	8	2001

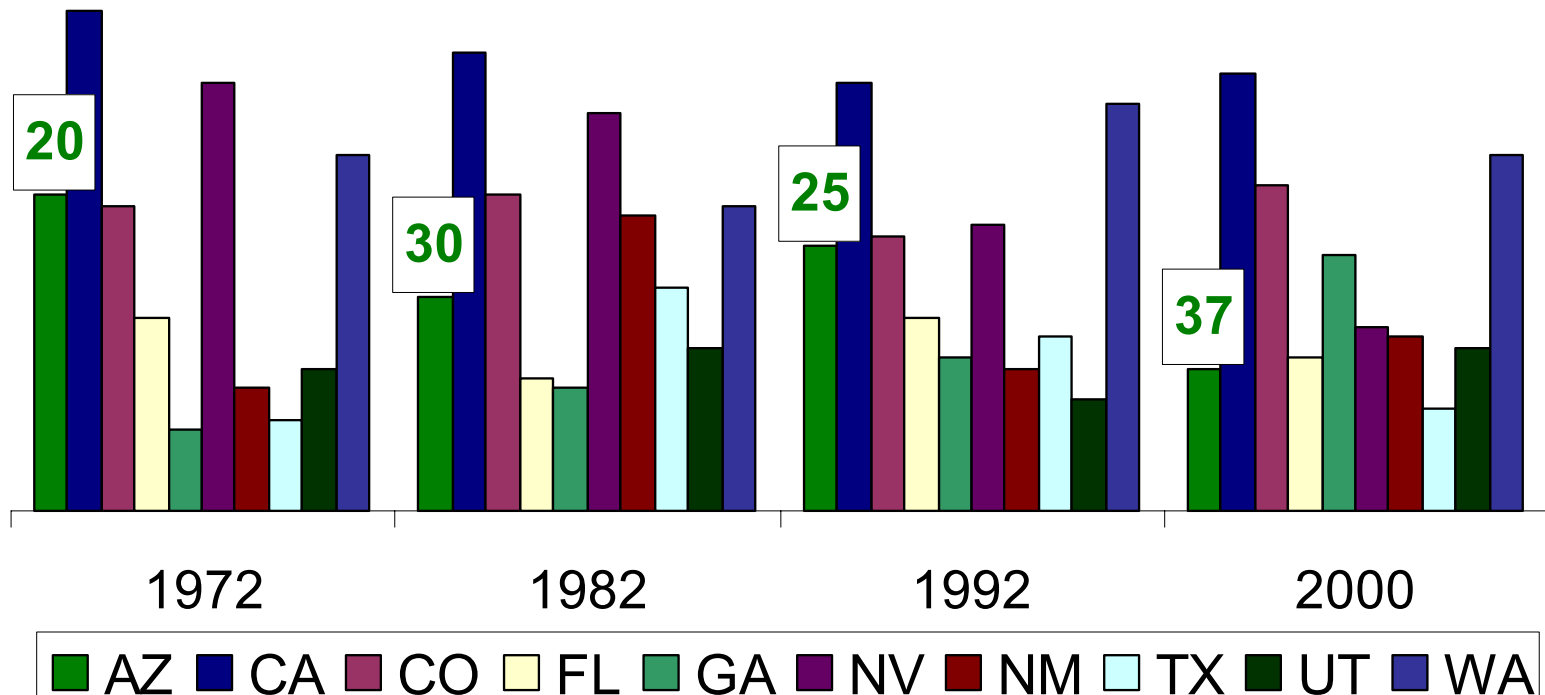
* Among 50 states and the District of Columbia; the state with the highest tax burden is ranked 1.

** Among 10 western states.

Source: U.S. Department of Commerce, Bureaus of the Census and Economic Analysis; Federal Reserve Bank of Boston; Government of the District of Columbia; *Kiplinger's Retirement Planning 2002*.

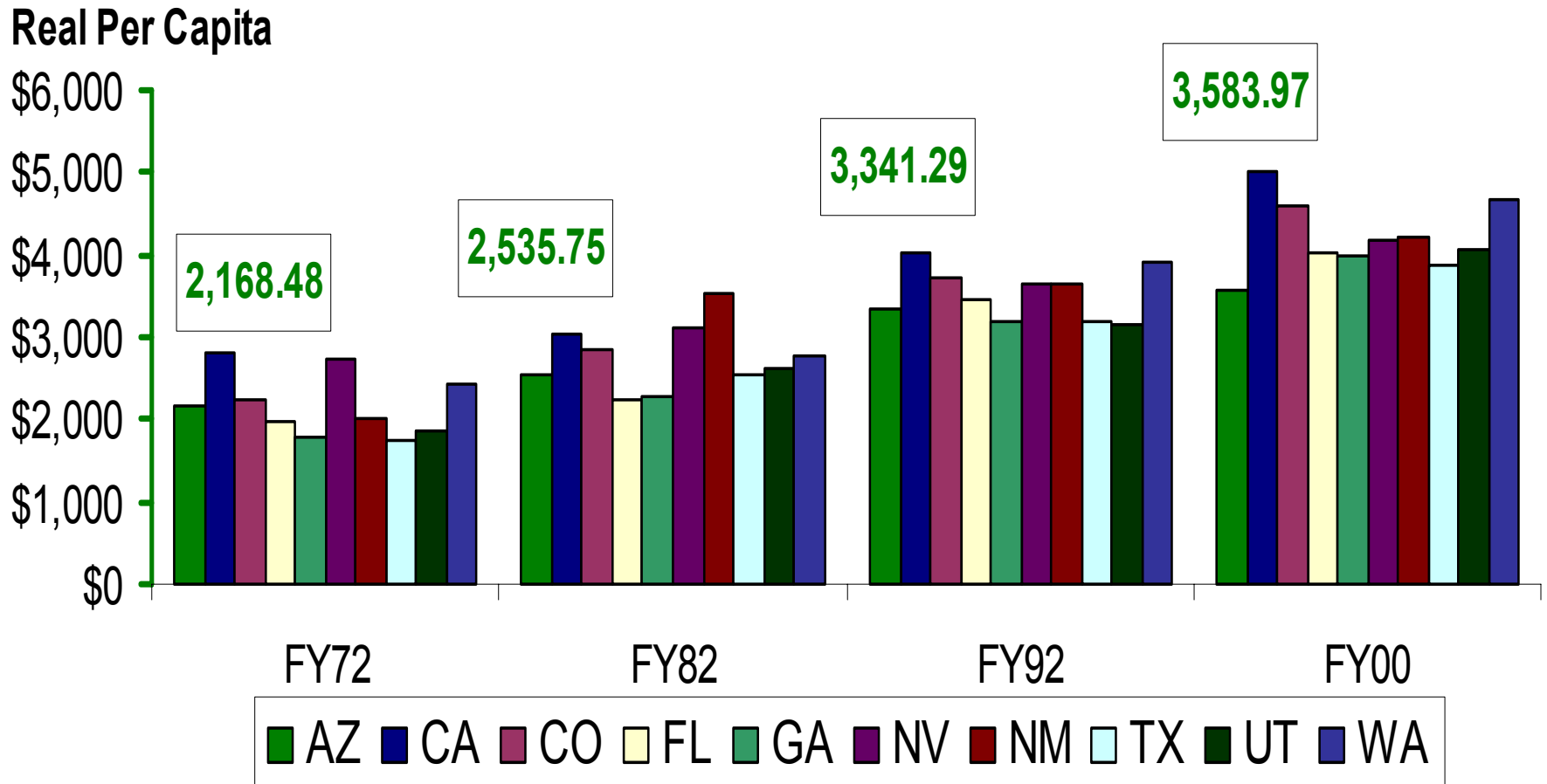
Per Capita Tax Revenue

Ranks of Selected States (Out of 51)



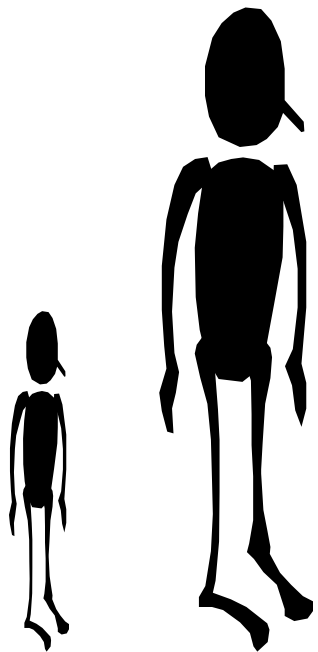
Bar length represents “rank” with scale reversed so high bars indicate high rank among the States.

Real Per Capita Own Source State and Local Revenue



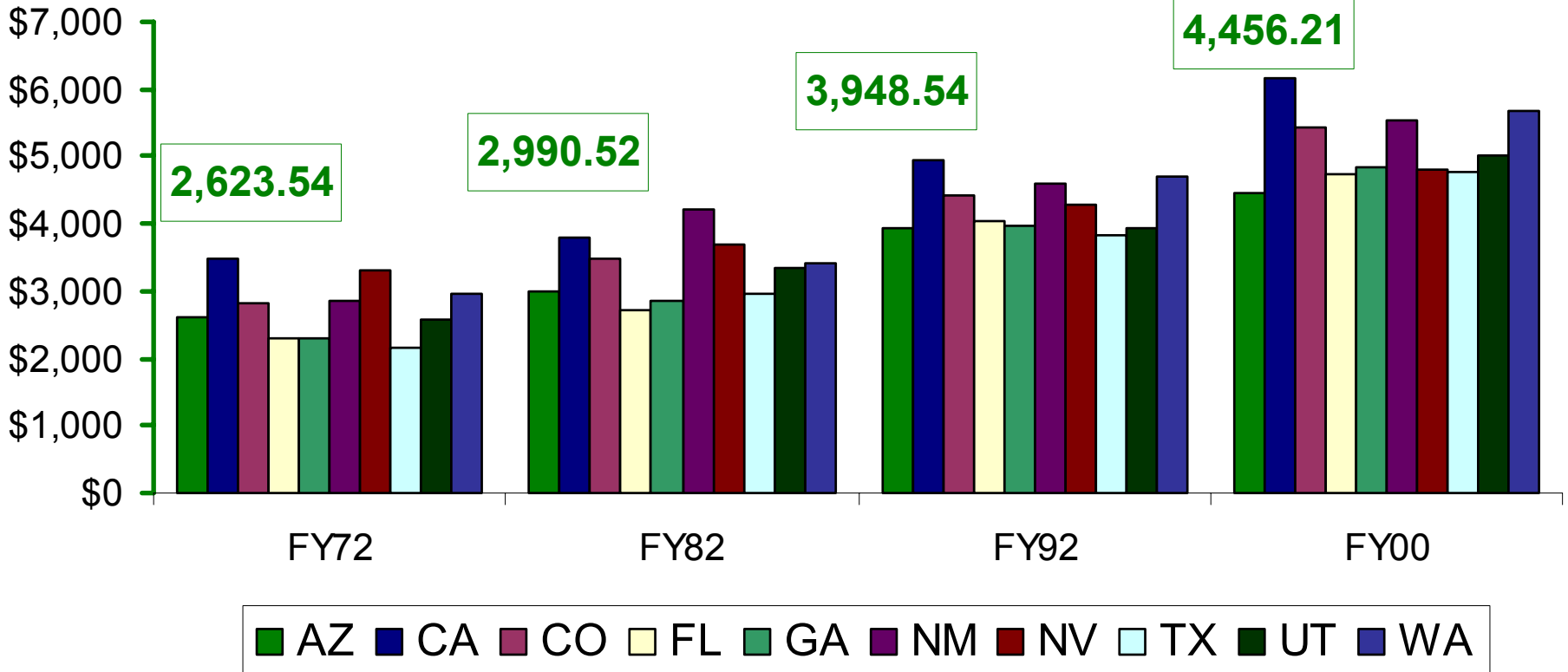
Average Annual Growth in Real Per Capita Own Source Revenue

	1972-2000	1982-2000	1992-2000
Arizona	1.81%	1.94%	0.88%
California	2.09%	2.81%	2.73%
Colorado	2.59%	2.65%	2.60%
Florida	2.60%	3.27%	1.83%
Georgia	2.88%	3.19%	2.79%
Nevada	1.54%	1.67%	1.74%
New Mexico	2.69%	1.00%	1.86%
Texas	2.94%	2.40%	2.56%
Utah	2.82%	2.46%	3.22%
Washington	2.38%	2.96%	2.25%



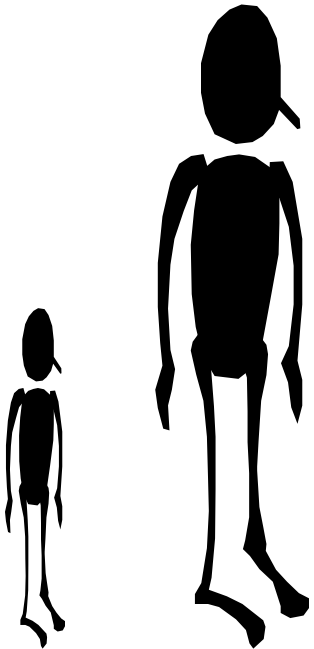
Real Per Capita Own Source State and Local Revenues + Federal Funds

Real Per Capita



Average Annual Growth in State and Local Real Per Capita Own Source Revenue + Federal Funds

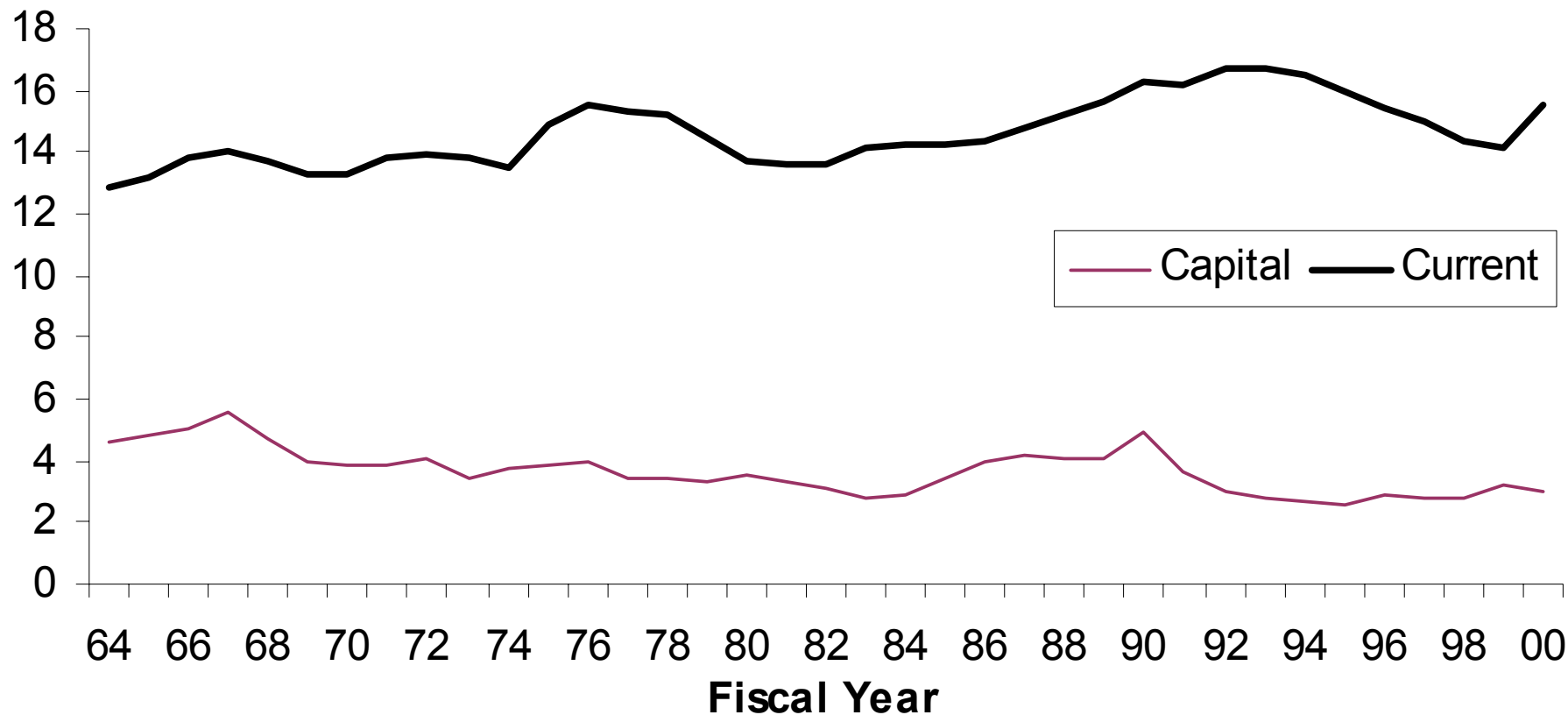
	1972-2000	1982-2000	1992-2000
Arizona	1.91%	2.24%	1.52%
Texas	2.90%	2.70%	2.84%
Georgia	2.68%	2.96%	2.56%
Washington	2.34%	2.87%	2.34%
Colorado	2.36%	2.53%	2.60%
Florida	2.61%	3.12%	2.02%
California	2.04%	2.72%	2.76%
Nevada	1.33%	1.47%	1.44%
Utah	2.39%	2.30%	3.05%
New Mexico	2.40%	1.52%	2.37%



EXPENDITURES AS A % OF PERSONAL INCOME

Arizona State and Local Governments Combined

Percent



General Expenditures Across States

Comparison of AZ and CA, CO, FL, GA, NV, NM, TX, UT, WA
Percentage of General Revenue from each source.

	Other General Expenditure	K12 Education	Higher Education	Health Welfare & Hospitals
Ave:	46.80%	22.90%	9.70%	20.60%
Range:	64%-39%	14%-28%	7%-14%	13%-25%
AZ:	48%	22%	11%	19%

Real Per Capita State and Local Spending FY2000

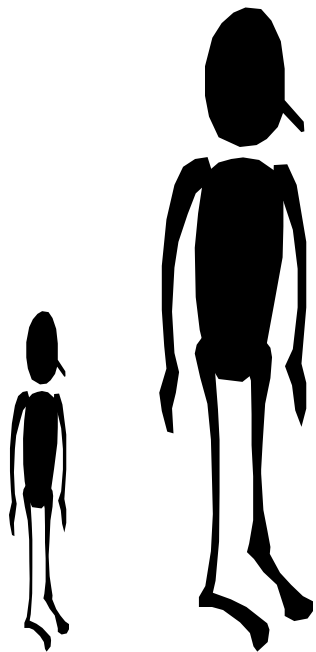
	Total Direct	Capital	Wages & Salaries	K12	Higher Ed
AZ	4533.64 ₍₁₀₎	724.24 ₍₇₎	1624.54 ₍₁₀₎	996.68 ₍₁₀₎	481.14 ₍₆₎
CA	5779.62 ₍₁₎	600.9 ₍₁₀₎	2115.68 ₍₂₎	1273.49 ₍₄₎	531.7 ₍₅₎
CO	5237.68 ₍₄₎	792.02 ₍₃₎	1938.72 ₍₃₎	1205.16 ₍₅₎	584.41 ₍₃₎
FL	4710.95 ₍₇₎	724.17 ₍₈₎	1771.47 ₍₆₎	1051.71 ₍₉₎	317.06 ₍₁₀₎
GA	4651.57 ₍₈₎	767.52 ₍₄₎	1725.81 ₍₉₎	1294.27 ₍₃₎	410.86 ₍₈₎
NM	5551.81 ₍₃₎	734.55 ₍₆₎	1882.39 ₍₄₎	1172.86 ₍₆₎	774.48 ₍₁₎

Real Per Capita State and Local Spending FY2000

	Total Direct	Capital	Wages & Salaries	K12	Higher Ed
AZ	4533.64 ₍₁₀₎	724.24 ₍₇₎	1624.54 ₍₁₀₎	996.68 ₍₁₀₎	481.14 ₍₆₎
NV	4882.57 ₍₆₎	973.5 ₍₁₎	1829.09 ₍₅₎	1155.5 ₍₇₎	328.61 ₍₉₎
TX	4592.43 ₍₉₎	707.58 ₍₉₎	1739.13 ₍₈₎	1362.2 ₍₁₎	469.76 ₍₇₎
UT	4931.72 ₍₅₎	766.23 ₍₅₎	1743.71 ₍₇₎	1081.19 ₍₈₎	730.57 ₍₂₎
WA	5679.53 ₍₂₎	875.13 ₍₂₎	2234.62 ₍₁₎	1300.84 ₍₂₎	565.65 ₍₄₎

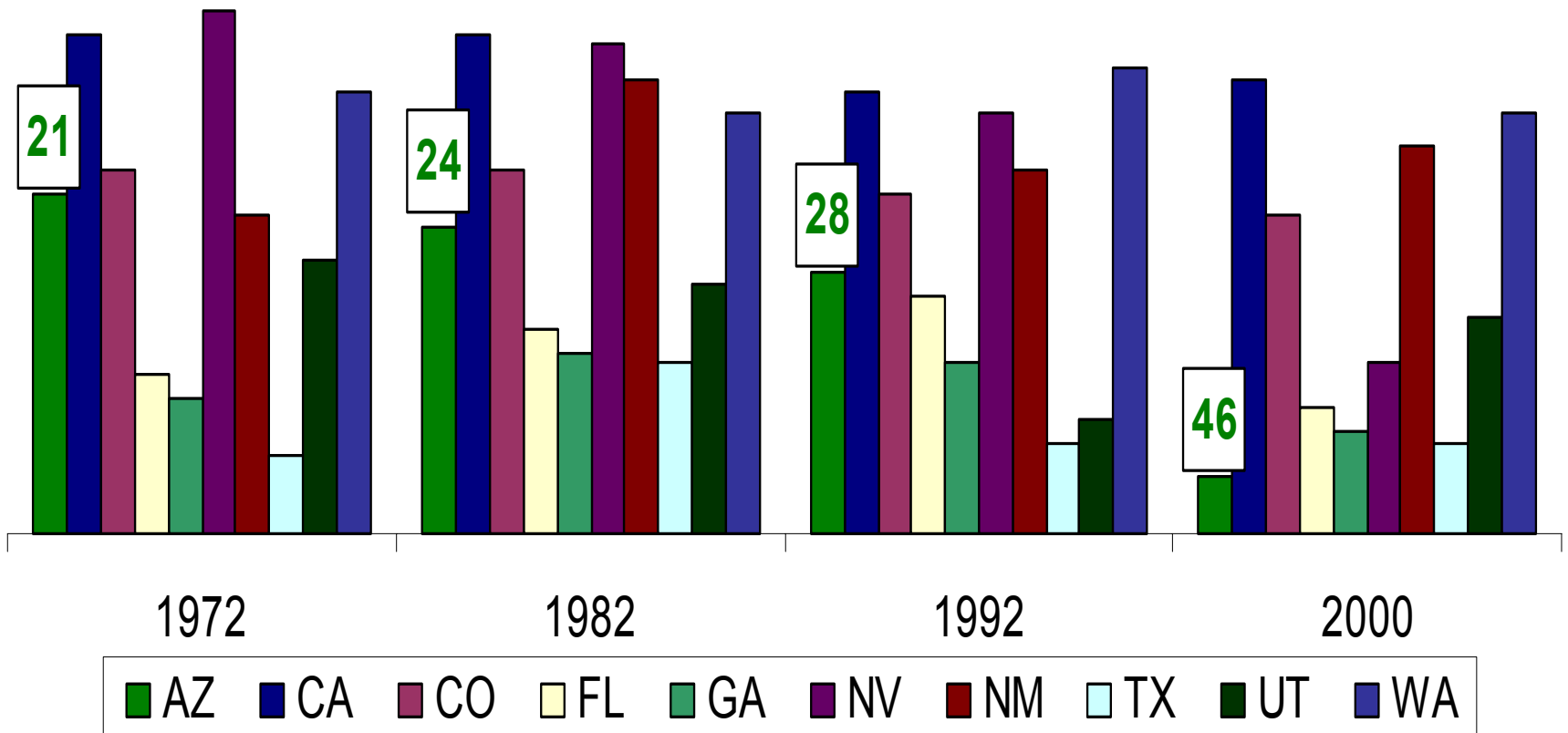
Average Annual Growth in Real Per Capita Total Direct State and Local Expenditures

	1972-2000	1982-2000	1992-2000
AZ	1.90%	2.16%	0.73%
CA	2.01%	2.46%	1.68%
CO	2.31%	2.64%	1.92%
FL	2.56%	2.99%	1.61%
GA	2.58%	2.99%	2.12%
NM	2.74%	2.48%	2.34%
NV	1.24%	1.60%	0.23%
TX	2.73%	2.93%	2.53%
UT	2.48%	2.85%	3.22%
WA	2.29%	2.91%	1.48%

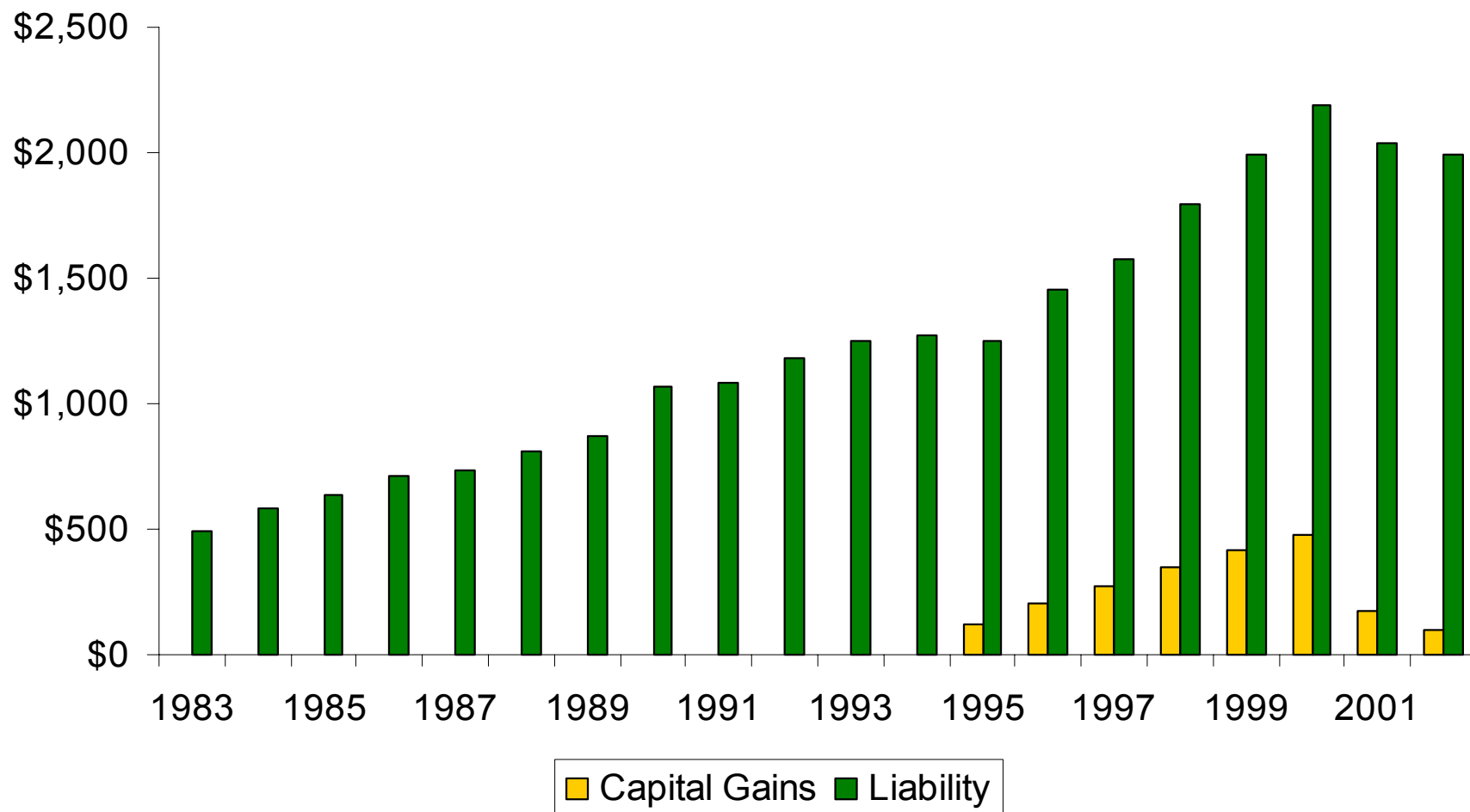


Per Capita General Fund State & Local Expenditures

Ranks of Selected States (Out of 51)



Capital Gains and Income Tax Liability



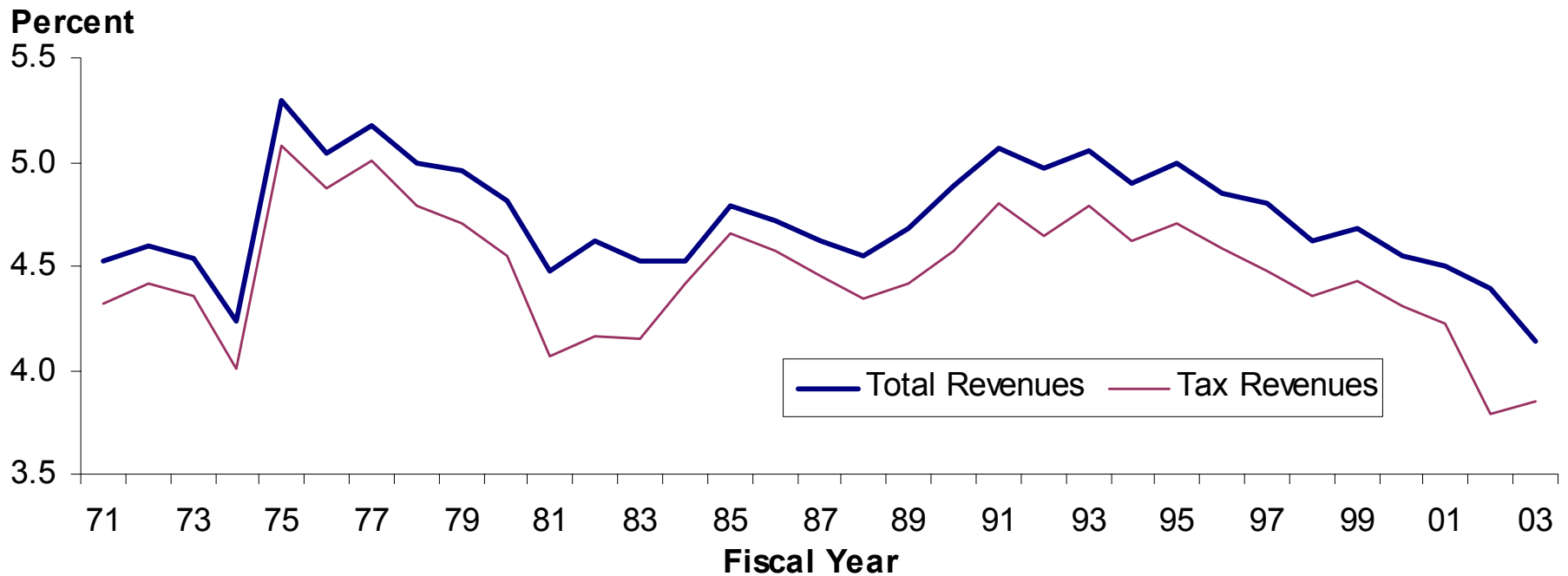
Amounts for 2002 are estimated

ARIZONA STATE GOVERNMENT

General Fund

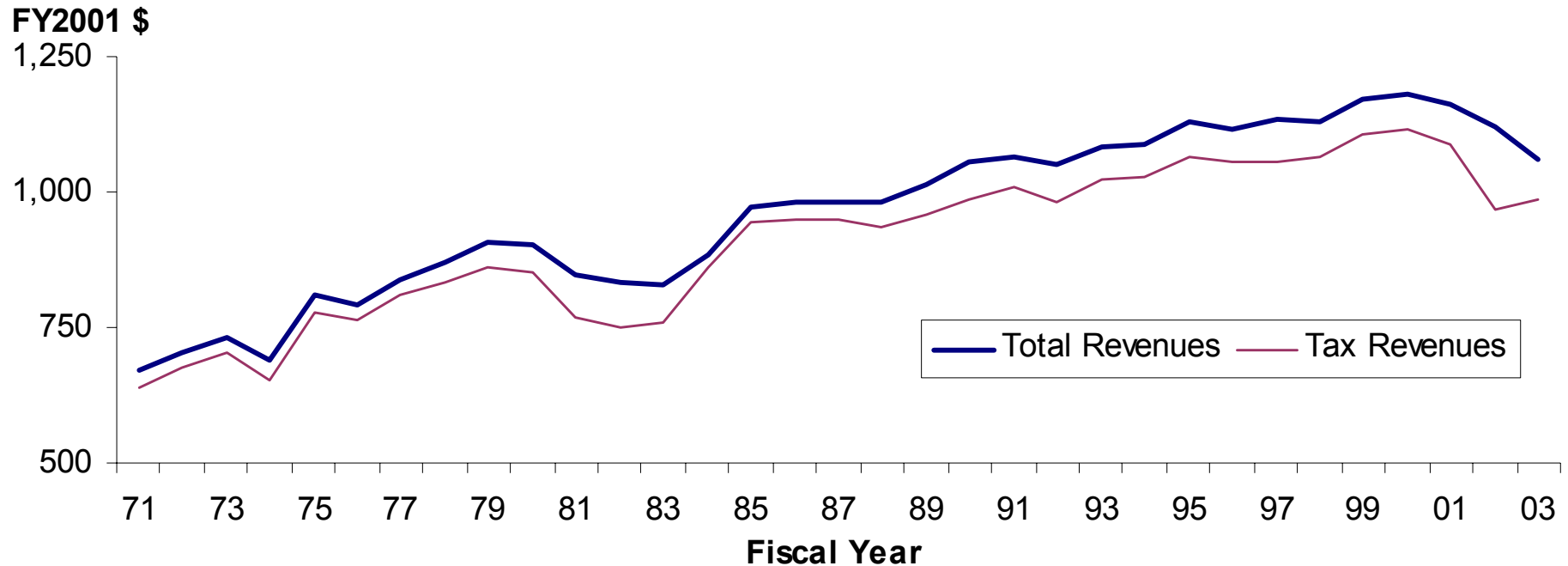
Source: Arizona Joint Legislative Budget Committee
unless otherwise noted.

TOTAL REVENUES AND TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME General Fund, Arizona State Government



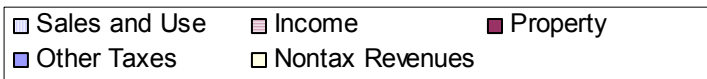
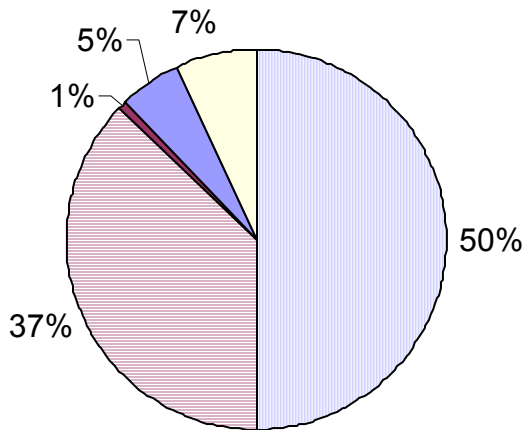
Fiscal Year 2003 is the budgeted amount as of October 2002.

TOTAL REVENUES AND TAX COLLECTIONS REAL PER CAPITA General Fund, Arizona State Government

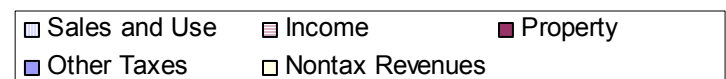
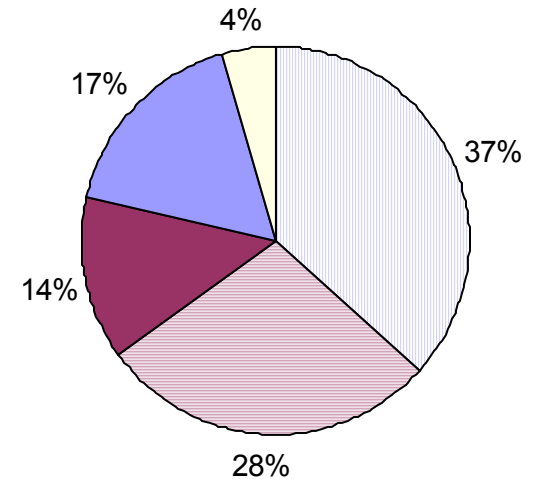


Fiscal Year 2003 is the budgeted amount as of October 2002.

REVENUES BY CATEGORY, FY2003
General Fund, Arizona State Government

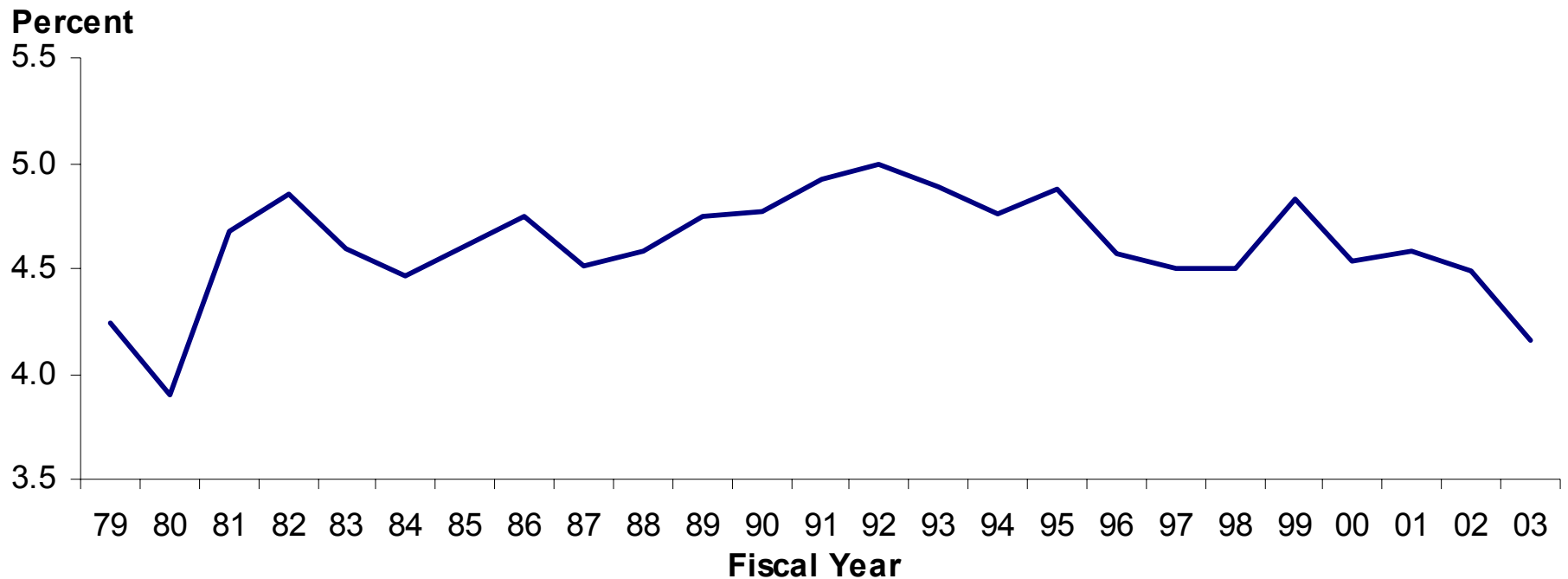


REVENUES BY CATEGORY, FY1971
General Fund, Arizona State Government



Fiscal Year 2003 is the budgeted amount as of October 2002.

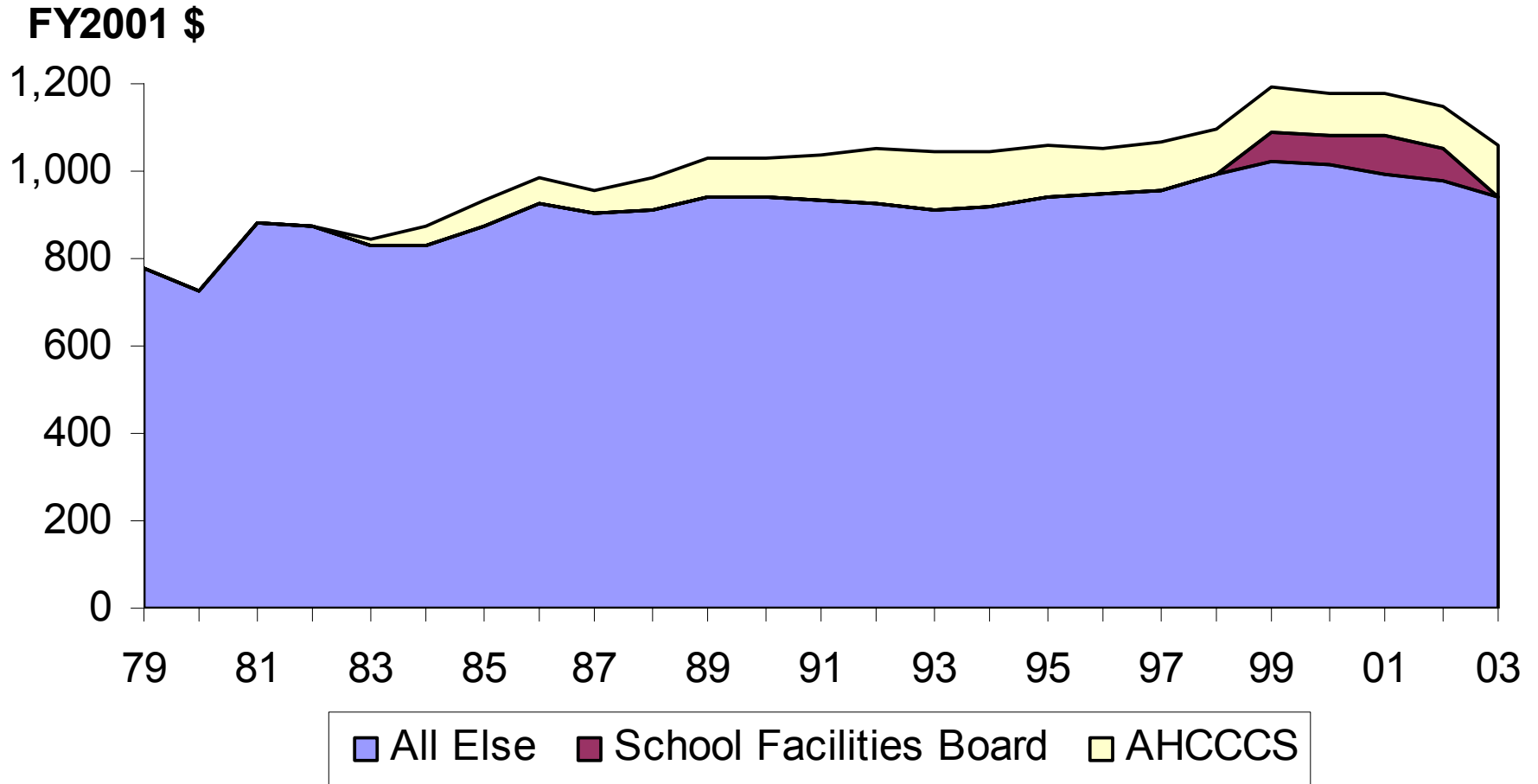
**OPERATING EXPENDITURES
AS A PERCENTAGE OF PERSONAL INCOME
General Fund, Arizona State Government**



Fiscal Year 2003 is the budgeted amount as of October 2002.

REAL PER CAPITA EXPENDITURES

General Fund, Arizona State Government



Fiscal Year 2003 is the budgeted amount as of October 2002.

ESTIMATED DOLLAR VALUE OF TAX CHANGES BY TYPE OF TAX
General Fund, Arizona State Government
Dollars in Millions

Fiscal Year	TOTAL	Sales	Individual Income	Corporate Income	Property	Other	Total Cumulative
1989	\$122	\$23	\$35	\$29	\$28	\$6	\$122
1990	109	7	64	0	23	16	231
1991	208	-4	119	31	50	14	439
1992	10	-0	9	0	0	0	449
1993	-19	-8	-14	0	-1	3	430
1994	-25	-12	-11	0	-1	-1	405
1995	-121	-21	-103	4	-1	0	284
1996	-285	-46	-202	-18	-18	0	-1
1997	-175	-23	-1	-0	-150	0	-176
1998	-172	-60	-115	3	0	-0	-348
1999	-143	-4	-51	-9	0	-80	-491
2000	-105	-8	-27	-14	-0	-55	-596
2001	-159	-5	-83	-46	-0	-25	-755
2002	-38	-2	6	-41	-2	0	-794
2003	17	-0	14	23	-2	-19	-777
2004	-27	0	0	0	-8	-19	-804
Cumulative:							
2004	-804	-164	-359	-38	-83	-160	

Note: The Proposition 301 increase in the sales tax for educational purposes is not included in this chart. In addition, the analysis is "static" in that it does not include possible stimulation in revenue collections from the tax reductions.

Source: Joint Legislative Budget Committee, "Fiscal Impact of Statutory Tax Relief Provisions," internal memo, September 19, 2002.

BUDGET STABILIZATION FUND SIMULATIONS
Arizona State Government
(Dollars in Millions)

Fiscal Year	Based on 1990 Statute		Based on Revised Statutes*		Difference	
	Transfer	Ending Balance	Transfer	Ending Balance	Transfer	Ending Balance
1994	\$58	\$58	\$58	\$58	\$0	\$0
1995	189	251	160	222	-29	-29
1996	137	401	-1	232	-138	-169
1997	108	531	4	249	-104	-282
1998	102	658	31	294	-71	-364
1999	135	824	48	357	-87	-467
2000	-71	801	-71	307	0	-494
2001	33	865	33	354	0	-511
2002	-292	607	-292	76	0	-531
2003	-282	348	-76	0	206	-348
2004	-118	244	0	0	118	-244

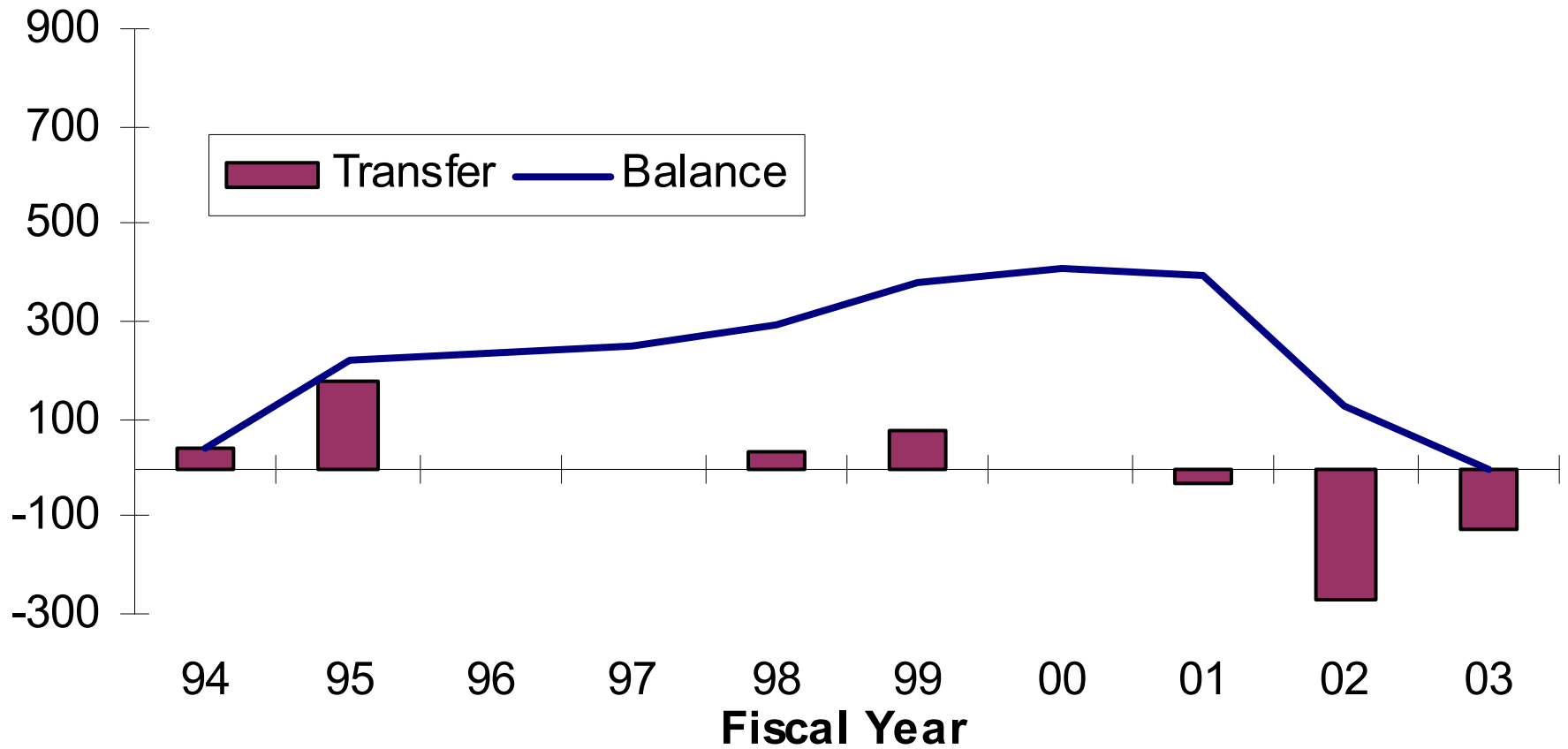
* Regarding the maximum allowed in the fund; it does not reflect one-time changes made by the Legislature.

Note: The simulations are based on revised data as of November 2002, with calendar year 2002 personal income growth projected from actual figures for the first two quarters of the year. Data for FY2004 are projected.

Source: Center for Business Research, L. William Seidman Research Institute, College of Business, Arizona State University.

BUDGET STABILIZATION FUND: ACTUAL

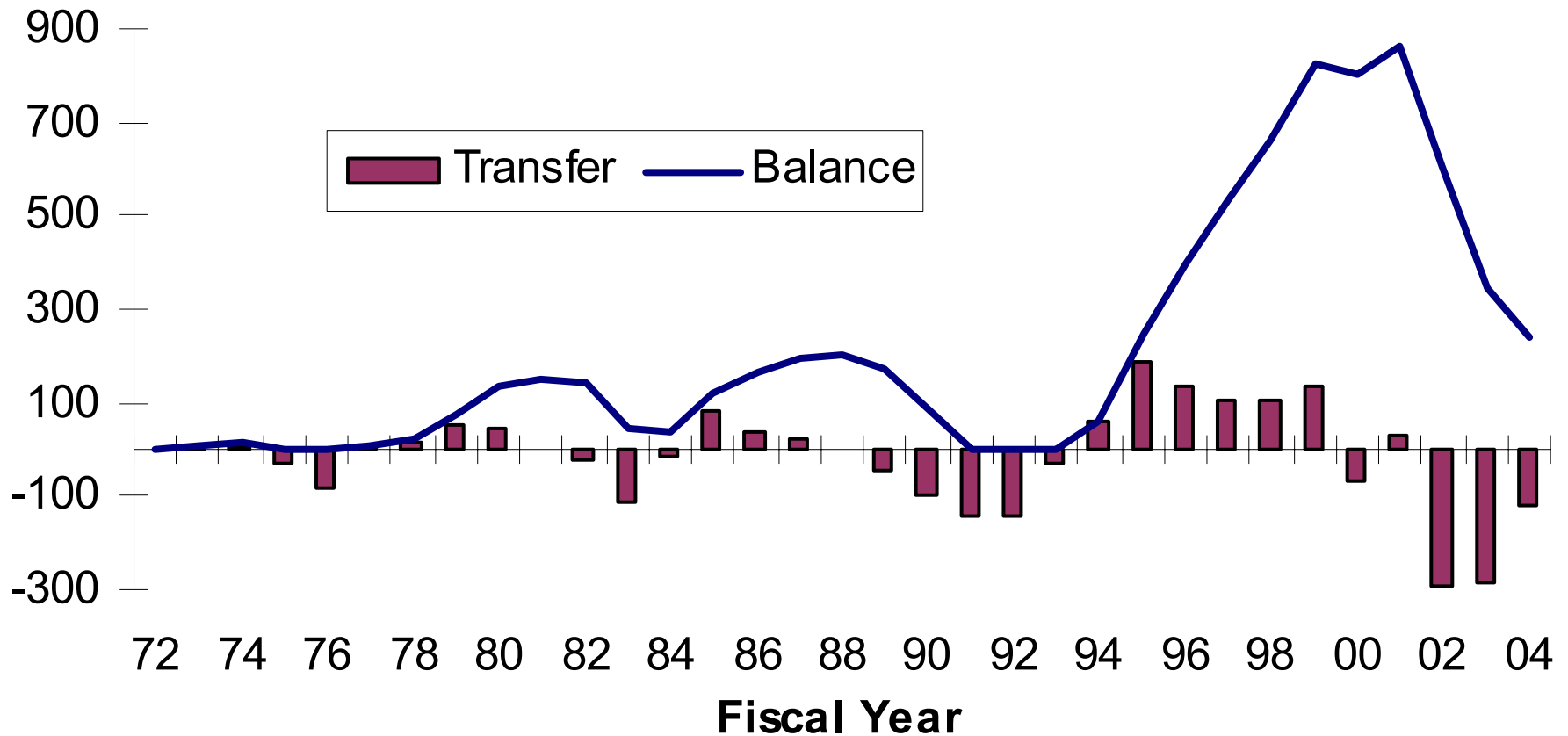
FY2001 \$,
Millions



Fiscal Year 2003 is estimated.

BUDGET STABILIZATION FUND SIMULATION USING 1990 STATUTE

FY2001 \$,
Millions



FISCAL POLICY SIMULATION

Percent
Change

